



## THE TEA DUTIES.

BY SIR ROPER LETHBRIDGE, K.C.I.E.

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Like all other Indian producers, the tea-planter contributes heavily to the Imperial exchequer of India, not merely, or even mainly, in the shape of the direct taxation imposed upon him, but indirectly by reason of the currency and exchange policy of the Government. Everyone is agreed that this policy is a right and necessary one for India, and therefore for the Empire; but due consideration should be shown towards the interests that suffer from its



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adoption. And let it not be forgotten that this policy, with its restrictions on the coinage of silver, acts as a direct protection to the teas of China with its free silver. Of that there can be no doubt in the world, though the Cobden Club would howl if this rank protection of China, naked and unabashed, were mitigated by even the smallest preference given to the teas of India and Ceylon.

This unfair burden would be uncomplainingly borne by the Indian and Ceylon planters, from patriotic motives, if only they were treated with ordinary decency in the other fiscal arrangements of the Government. So, too, they have always cheerfully acquiesced in humanitarian labour legislation, feeling that the results are worth some immediate sacrifice. And it has long been admitted, even by those who are accustomed to look with suspicion on "pioneers of Empire," that there does not exist in the whole world a more humane, a more generous, or a more high-minded body of men as a whole than the planting community. Burdens such as those which I am now speaking of, which have at any rate an intelligible *raison d'être*, for they are felt to be burdens of Empire and of humanity, have been readily and cheerfully borne. But there are, and ought to be, limits to this patriotic complaisance. And surely those limits have been reached and passed when an industry that has resuscitated a British colony, that has created an Indian province, that has provided a livelihood for vast numbers of our Indian fellow-subjects, is impoverished and strangled for no better reason than the gratification of a well-meaning but exceedingly foolish British prejudice. These Blue-books prove beyond the possibility of a doubt that—directly in the markets of the United Kingdom, indirectly in colonial and foreign markets where India is not permitted to negotiate—Indian and Ceylon tea is penalized to an extent that is simply appalling, while the most worthless rubbish of Chinese production is proportionately protected, merely in deference to the Cobdenite fanaticism of a portion (probably a small portion) of the

British electorate, and to the foolish and unreasoning dread of that fanaticism that is entertained by a certain number of British politicians who pose as Free Fooders.

For these papers show most clearly that, in the wrong done to the tea industry, the *fons et origo mali* is to be looked for simply and solely in the working of our British and Indian fiscal systems. Under the existing British fiscal system, which Mr. Balfour's sarcasm has christened "Insular Free Trade"—much insularity, and very little Free Trade!—British-grown tea is subjected to every possible discouragement. It is hit both ways by our insular methods. For insularity refuses to remember that it is grown within the Empire, and therefore is really a domestic product. It treats Indian and Ceylon tea as a foreign product that cannot be grown within our insular limits, and that consequently may be taxed up to the hilt without any reproach of Protection. There is hardly any other commodity of general consumption that can neither be grown in "British" soil nor worked up in "British" factories, if by "British" you mean "insular British."

Tea is as much, and as essentially, "food" as corn is. But if you tax foreign corn you might benefit the British farmer, and that, say the Free Fooders, would be Protection. Now, revenue must be raised somehow. There must be some indirect taxation, for incomes are already taxed at a shilling in the pound, and the income-tax and the death duties between them are rapidly tending to destroy thrift. And indirect taxation, to be adequate, must be levied on articles of general consumption. So the *soi-disant* Free Traders, and also—paradoxical as it may seem—those very foolish and illogical persons, the Free Fooders, have quite made up their minds that on these grounds tea is a commodity on which you may without reproach impose an import duty more than ten times as heavy as that which would be cursed by the Cobden Club if it were imposed on corn.

But to anyone who will take the trouble to examine the



statistics of the tea trade, whether as given in these Blue-books, or as very lucidly explained in Mr. Stanton's excellent paper read before the Society of Arts, it will at once be evident that they completely knock the bottom out of every one of the Free Fooder's leading contentions—contentions that are usually put forward with a contemptuous air of cocksureness that altogether disdains to argue with such inferior mortals as Conservatives or Tariff Reformers.

For instance, take the contention, maintained by most Free Fooders as if it were a mathematical fact, that all import duties are paid by the consumer, and that consequently Indian tea-planters need not bother about British import duties, except in so far as they check consumption. Well, as to the import duty checking consumption, the figures yield a somewhat dubious return; for whilst the imports of Indian tea into the United Kingdom during the year 1904-1905 (the year of highest duty) were  $2\frac{1}{2}$  million pounds less than in 1903-1904, they were nearly 16 million pounds more than in 1902-1903. But as to the consumer paying all, or (in this particular case) any part, of the import duty, we find that the price obtained from the consumer in London averaged under 7d. per pound in 1904-1905, as against  $7\frac{1}{2}$ d. per pound in 1903-1904, and as against  $7\frac{3}{8}$ d. per pound in 1902-1903! Of course, every political economist knows perfectly well that, while it may properly be said that, *ceteris paribus*, an import duty may be paid by the consumer, and may therefore tend to check consumption, yet the fact is, in this world of sin and woe, there is never, or hardly ever, such a state of affairs as *ceteris paribus*. And Lord George Hamilton—though (strangely enough) something of a Free Fooder himself—with his usual straightforwardness frankly acknowledged this fact at Mr. Stanton's meeting at the Society of Arts; for he said: "Of course, there are other influences and agencies far more potent than taxation in regulating prices." He went on to minimize this admission, but these words of his are quite sufficient for my present contention. In every

case, and in regard to every commodity, there will probably always be dozens of factors that will enter into the determination both of price and of consumption. And opinions, even of competent experts, will generally differ as to which is the predominant factor. For instance, the Assam Government says: "The fall in price has been very generally attributed to the increase in the home duty, which is said to have lessened the demand for the better qualities of tea;" though we do not find any considerable increase in the price of the lower qualities to console us for the fall in the better qualities. We simply find that large quantities of the cheaper sorts of the China tea that is protected by its free silver poured in to keep even these prices down. My old friend, Mr. J. D. Rees, I.C.S., C.I.E., in the admirable paper\* which he read last year before the East India Association on this subject, was evidently distressed to have to confess that, as a matter of fact, it was the planter chiefly, and possibly the merchant and distributor in a less degree, who pay the tea duty, and not the consumer at all. For he explains the phenomenon by the anxiety of blenders to keep down prices in order to avoid a check in consumption; and since competition between the blenders (as well as, it may be hoped, commercial morality) forbids the supposition of any general fraudulent substitution of the lower qualities for the better, it is obvious that Mr. Rees's explanation simply amounts to a confession that competition has compelled the planters and the distributors to pay the duty.

If we take a longer period of years, the fact becomes still clearer that, owing largely to the effective competition of the protected China tea, the duty is mainly paid by the planters and by the distributors, and not by the consumers. This is what the newly-published Blue-book has to say on the point:

"In 1884 the value of the tea landed in this country averaged 11 $\frac{3}{4}$ d. per pound; in 1904 it averaged about 7 $\frac{1}{4}$ d. The value of the tea imported from British India was, in 1884, 14.12d. per pound; in 1904 it was 7.30d. The value

\* See *Asiatic Quarterly Review*, October, 1904, pp. 277-295.



of that imported from Ceylon was 17·26d. per pound in 1884; in 1904 it was 7·20d. Chinese tea in 1884 averaged 10·59d.; in 1904 it averaged 7·16d. It thus appears that, whilst the average value of tea from all these sources has declined to almost the same point, the absolute decline has been greatest in the case of Ceylon and least in the case of China teas. It is of interest, moreover, to compare these landing values in the United Kingdom with the declared values of the tea exported to all destinations from the various producing countries. Thus we find that the exports of tea from British India in 1884 were valued at 13·33d. per pound; in 1904 their value was 6·63d. at the port of export. Similarly, the exports of tea from Ceylon in 1884 were valued at 11·63d. per pound; in 1903 at 6·24d. per pound. China tea, in 1884, averaged in value at the port of export 7·26d. per pound; in 1904 5·37d. per pound. It will be observed that the decline in value here shown is (especially in the case of Ceylon and China) noticeably less than the decline in the import values in this country."

It is only because, in the particular case of the tea trade, we possess the statistics of this trade equally for the country of production and for the country of consumption that it is possible thus clearly and certainly to demonstrate the futility of the cocksure dogmas of the Free Fooders. From these statistics we see that the heavier the tax, the keener the competition of the protected China product, and the more crushing the burden on the planters of India and Ceylon, and all the industries related to them—the railways, shipping, landing, warehousing, importing, distributing, wholesale dealing, and retailing industries that draw revenue from the trade in tea. Of course the time will come—if this outrageous impost, or anything approaching it in severity, be maintained—when the resisting powers of the planters will have been worn down, when their profits, and even their capital, will have disappeared, and they will have to give up the struggle; and then the home consumer will have to pay all the duty. And even before this climax is reached, and

while the industry is becoming more and more a losing concern, as the competition will naturally slacken, so more and more will the tax have to be borne by the home consumer. And thus gradually the trade, which was won from China by British pluck and British capital in India and Ceylon, will be retransferred back again to China, where it will be entrenched behind free silver, sweated labour, and the lowest standard of living known to modern humanity.

With regard to this pleasant prospect of the imports of cheap foreign-grown tea into the United Kingdom once more ousting British-grown tea from the home market, some very pertinent remarks\* were addressed to the meeting of the East India Association on July 20, 1904, by Mr. Durant Beighton, one of our Indian civilians (now retired), who has had an unrivalled official acquaintance with the Indian tea industry. Mr. Beighton said that the increased import of foreign teas was largely owing to the increased duty, for "if the bulk of the imports were to consist of very coarse tea, owing to the necessity of tea companies making their profit by quantity instead of quality, China tea would come in in ever-increasing quantities." Mr. Beighton warmly advocated an extra impost on the foreign tea, so as to put it on a fair level with British-grown tea, which seems the most simple act of justice and fair-play towards the Indian planter. Lord George Hamilton, replying as a Free Fooder to this very reasonable proposal, said that "China tea amounted to only 7 per cent. of the whole, and what was the use of taxing that?" But, as a matter of fact, the import of foreign-grown tea in the year 1904 amounted to about 22 million pounds, against about 234 million pounds coming from India and Ceylon; so that if this trade could be captured every Indian and Ceylon planter, on the average, would add to his yearly sales at least 9 per cent. more than he now sells. Would any intelligent business-man scoff at such an addition as that? Why, he would perceive that it would give to the wholesome Indian product the control

\* See *Asiatic Quarterly Review*, October, 1904, pp. 396-398.



of the market, to the infinite benefit alike of producer and consumer! And if good Indian and Ceylon tea, relieved from the burden of the duty, were in this way obtainable at the cheap prices now given for the inferior China rubbish, there is every reason to believe that the *per capita* consumption of tea in the United Kingdom would rise at least to the level which it has attained in Australia, and this would mean a further addition of 50 million pounds per annum, or altogether an addition of something like 30 per cent. to the sales of the Indian or Ceylon planter! Would Lord George Hamilton scoff at that? At the meeting of the Society of Arts on June 3, 1904, Mr. Rutherford, the able President of the Ceylon Association in London, turned the tables on Lord George, by showing how utterly preposterous is the contention that Indian and Ceylon teas in this country have reached the limits of possible consumption, or anything like it. He observed: "As we have been told by Mr. Stanton that this country consumes 6 pounds per head, as against Australia's  $7\frac{1}{2}$  pounds, then, if we are 'saturated,' what term can be applied to them?"

Mr. Stanton, of the world-renowned tea firm of Gow, Wilson, and Stanton, gave a masterly exposition of the whole subject in the paper which he read before the Society of Arts on June 3, 1904. And these were the striking words which he used about our taxation of British-grown teas: "It is quite intelligible that as long as tea was not grown by our fellow-subjects, but by foreigners, it should have been taxed, but when its production was so largely in the hands of our countrymen, as has been the case for the last twenty to thirty years, it is somewhat strange that the taxation should have still continued so heavy, and that it should have been impossible to find some other product upon which an impost could be levied which was not so largely grown by our fellow-subjects. With the duty raised to 6d., tea was taxed to the extent of not far short of 80 per cent. of its value, a burden which is admittedly a very heavy one." And now it is more like 120 per cent.

Mr. Stanton showed that the result of our unpatriotic and unsympathetic taxation of our own kith and kin is, and must be (1) the reduction, at any rate for the time, of the consumption in the United Kingdom of the wholesome temperance beverage afforded by our Indian and Ceylon teas; (2) the substitution, in the food of our poorer classes, of the rubbishy, worthless foreign tea, in some cases the rejections of other countries; and (3), if persisted in, the crippling of an industry of immense value to India and Ceylon, as well as to the Mother Country. Now, the practical question is, Wherein lies our hope of averting these evils?

Well, it is clearly shown, both by the official papers I have been quoting, and by the general sense of the discussions at the Society of Arts and the East India Association, that a new era of prosperity for the tea industries of India and Ceylon may be hoped for by the reduction or abolition of the existing import duties; and that it will be secured, with almost boundless additions, by the establishment of preferential trading within the Empire, with the retention (for revenue purposes) of the existing duties on China, Java, Japanese, and other foreign teas. The returns show what advantages have already been obtained from the generous preferences spontaneously accorded by New Zealand to British-grown teas, by Canada to British productions in general. The virile common-sense and the sympathetic loyalty of all our Colonies are already manifesting themselves in these spontaneous preferences, not only mutually towards each other, where their infinite value is well understood, but also towards India and the United Kingdom, a silent and dignified reproach for our selfish and short-sighted "insular" prejudices.

The practical question I have asked, then, becomes narrowed to this further question, What hope is there of the adoption by the United Kingdom of a more reasonable fiscal system, adapted to the commercial and industrial conditions, not of the "hungry forties" of our grandmothers' time, but of the twentieth century?



I think that Mr. Chamberlain and Mr. Balfour have brought us within sight of this great deliverance from fanaticism. From the point of view of the tea industry, quite the most hopeful words that have yet been uttered were those of Mr. Bonar Law at Aberdeen in October last. The Parliamentary Secretary of the Board of Trade is, by common consent one of the ablest, most popular, and most trusted, of the members of Mr. Balfour's Government. Himself a level-headed, sagacious, and successful man of business, he speaks to business men with an authority that belongs to hardly any other of our front-rank politicians. His words are clear and to the point, and even the dullest and most prejudiced Free Fooder is compelled to admit that he knows what he is talking about. With some of his sensible and logical words, addressed to shrewd and long-headed brither Scots at Aberdeen, I will conclude this article with a real gleam of hope for the planters of India and Ceylon:

"What," he asked, "were our chief sources of indirect taxation now?" Alcohol, tea, tobacco. He did not suggest that any change should be made in regard to alcohol, because he would approve of deriving as large a revenue from that trade as the trade could pay; but what about the other two? Tobacco was largely used by the working classes. Of course there were people who said that they should not smoke. He noticed, for instance, that Mr. Carnegie made that statement strongly the other day. He would himself rather any day go with a meal less than go without his tobacco; and did they wish really that workmen should cease to use tobacco? Had they so many pleasures that we grudged them this one? Tea was still more important. It was not, of course, absolutely a necessary of life; but, as a matter of fact, statistics and experience showed that tea was largely used by the working classes, and that the poorer they were the more they used of it, so that in reality it was just as much as corn the food of the people, and the food of the poorest of the people.

If, therefore, the working man's wife had to pay a little more in a week for her bread, and if she got her tea at exactly the same amount less, how much worse off was she at the end of the week? Lord Rosebery, in one of those utterances which he was fond of making and leaving there, suggested that the Government departments of this country ought to be entrusted to business men. How would a business man look at this? He would say: 'Our foreign corn comes from Russia and America, both of which buy nothing from us which they can possibly produce at home. Our tea comes largely from India, which is one of our best customers. Would it not, therefore, be simple common-sense to so adjust the taxation as to improve the buying power of the country which is our customer, and not to benefit the countries which are not our customers?' "

P.S.—As I have been considering this question mainly from the Indian point of view, I have not ventured to deal with the revenue aspect, which, of course, must be adequately considered both in England and in India. In England, it is quite clear that the abolition, or at least the considerable reduction, of the tea duties is most likely to be undertaken as part of a general scheme for the readjustment of duties in general, such as that proposed by Mr. Chamberlain. And Indian preference for British manufactures will richly compensate the Mother Country for any loss of revenue from tea. In India, no time could be more opportune for reciprocal concessions to British industries, for the flourishing condition of the Indian finances is admittedly due very largely to the indirect burdens on Indian production to which I have alluded, which might be equitably compensated by British preference.





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